

Item 4.2 FC 4/02/2019

Draft Minute – Special Meeting of Finance Committee

4pm 4th December 2018 Boardroom Cumbernauld Campus

Present: Kenny Anderson, Moira Jarvie, Martin McGuire, Paul O'Donnell.

In Attendance: Iain Clark, Keith Fulton, Gordon Kerr, Keith McAllister, Diane McGill, Stewart McKillop, Penny Neish.

1. Chair's Welcome

The Chair welcomed everyone to this special meeting of the Committee. He thanked Keith Fulton for attending the meeting.

2. Apologies

There were apologies from Stuart Reid.

3. Declaration of Interest

There were no declarations of interest other than Moira Jarvie and Iain Clark who are members of the AMCOL Board.

4. NCL 2017-2018 Accounts – Recommendation from Audit Committee 3rd December 2018

4.1 Annual Report to the Board of Management and Auditor General for Scotland

4.1.1 Recommendation from the Audit Committee

Iain Clark informed the committee as follows:

- The accounts were recommended by the Audit and Risk Committee to the Finance Committee and the Board subject to agreement of the paragraphs on regional benefit being approved by the Chairs of the Audit and Risk and Finance Committees and the Chair of the Board. These paragraphs on regional benefits are in response to the Auditors General's Scotland's Colleges 2018 report which stated as follows:
 - that the benefits of regionalisation in Lanarkshire have come about mainly through the merger of colleges to create New College Lanarkshire.
 - Under the regional structure, New College Lanarkshire and South Lanarkshire College are working together to meet core statutory requirements
 - but the regional arrangements are not delivering any significant regional benefits.
- When the Auditor General's report had been published, it became clear that there were a number of achievements listed for the other RSB's which also applied to the Lanarkshire Board but had not been listed for that Board. After the publication of the Auditor General's report, Linda McTavish agreed with Mazars that a paper setting out regional benefits for the Lanarkshire Region would be included in the Financial Statements. It was agreed at the Board meeting on the 1st October 2018 that the paper on regional benefits should be submitted to the PAPLs committee. Subsequently, within the last week or so Mazars had

informed Iain Clark that the paper would be too long for inclusion and that this should be two or three paragraphs.

- There was then discussion in the Audit and Risk Committee committee about the paper and what would be included in the accounts. Keith Fulton set out the background to the drafting of the paper and informed the committee that SLC had agreed a draft but that the Chairs were still to do so and that he would speak to them before the meeting of the Remuneration Committee which was to follow the meeting of the Audit and Risk Committee.
- He reported to the Finance Committee that he had taken an extract from the covering letter on agreement with the Chairs before the Remuneration Committee and had given this to Lucy Nutley. She had, however, responded to say that this would have to be reviewed and alternative wording found. He had supplied her with the full text and the wording would be agreed for the Board meeting.

4.1.2 Iain Clark drew the committee's attention to the following pages of the report:

4.1.3 P 3 The Executive Summary: this states that the auditors intend to give an unqualified opinion on the Financial Statements, an unqualified regularity opinion and an unqualified opinion on other requirements.

There are four wider scope dimensions and the anticipated conclusion are as follows:

- The Lanarkshire Board has arrangements in place, including budgetary control, that help the Board members scrutinise finances. Currently, consolidated regional financial information is not available to Board members during the year.
- The Lanarkshire Board has adequate financial planning arrangements in place, however, financial sustainability concerns, initially raised in 2017, remain;
- The Lanarkshire Board has governance arrangements in place that provide appropriate scrutiny of decisions made. However, a review of governance arrangements at the RSB is still to take place to identify potential improvements to the regional governance framework; and
- The Lanarkshire Board has an effective performance management framework in place that supports progress towards the achievement of value for money.

4.1.4 P9 Consolidation process – a key area of management judgement and the auditors noted that the Colleges are aware of different property, plant and equipment revaluation policies in New College Lanarkshire and South Lanarkshire College, such that on an ongoing basis, there will be revaluations in different accounting periods. The auditors do not anticipate that this would result in material misstatements in the future.

4.1.5 P10 the audit work provided satisfactory assurance over the voluntary severance scheme.

4.1.6 P 15 The top table on this page sets out the adjusted operating position for the region which is £1,356K and this is the same as P 20 in the Financial Statements – see 4.2.1. below.

4.1.7 Mazars had commented on financial sustainability in their report because the SFC have not formally approved the Business Plan. Lucy Nutley would speak to Lorna McDonald at the SFC and if there were sufficient assurances the wording in the report could be amended.

4.2 Draft Financial Statements for the Year Ended 31st July 2018

4.2.1 Iain Clark presented the consolidated Regional Financial Statements to the Finance Committee and he highlighted the following pages:

- **P 7** – sets out the Performance figures for the Region and that the region reached its SFC funded core target.

Action: It was noted that the wording at this section of Regional Accountable Officer should be changed to Chief Officer.

- **P 11** – The colleges achieved their core funded target by delivering 172,245 SFC funding credits which is 168 SFC funding credits over the target of 172,077. The colleges delivered an additional 15,393 ESF – SFC funding credits against a target of 15,393. The colleges provided places for 12,509 Full time equivalent learners.
- **P 20** – the table sets out the Underlying Operating Position which shows a surplus of 1,356k which is 1.9% of Total Expenditure for 2017/18 which is in contrast to the (£132) K deficit for 2016/17 which was (0.2) % of Total Expenditure. NCL, SLC and AMCOL are all in surplus which is a strong position for this year. Moira Jarvie asked if the NCL position would affect the Business Plan. Iain Clark responded that it was only a 1% swing and, though it would help with the cash flow position, it would not affect the Business Plan.
- **P 50** – the balance sheet is strong following revaluations of land and buildings and actuarial gain in respect of pension schemes set out on p48.

4.2.2 Iain Clark informed the committee that there were still minor adjustments to be made to the narrative and further proof reading but there would be no significant changes.

4.2.3 Kenneth Anderson said that this was a very welcome turnaround in the finances and gave thanks on behalf of the committee to the Finance Teams. He asked about the consolidation process. Stewart McKillop said that the process had worked efficiently and SLC had coped with pulling the information together and could cope with the same timescale next year. Iain Clark informed the committee that the narrative is the hardest part to pull together because it comes from multiple sources. He said that he may close the NCL ledgers one or two weeks earlier next year to facilitate the process.

4.3 Regional Assurance for SFC Funding Audits Nov 2018: The committee noted this report.

Decision: The accounts were recommended by the Finance Committee to the Board subject to agreement of the paragraphs on regional benefit being approved by the Chairs of the Audit and Risk and Finance Committees and the Chair of the Board.

5. AOB – there was no other business.

6. **Date of the next meeting:** The date for the next meeting is the 4th March in the Boardroom at the Coatbridge Campus.